



Voluntary Scheduled Resource (VSR) Incentive Mechanism Procedure

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Current version release details

Version	Effective date	Summary of changes
0.1	DD Month YYYY	Initial draft for consultation

Note: There is a full version history at the end of this document.

1. Introduction

1.1. Purpose and scope

These are the Voluntary Scheduled Resource (VSR) Incentive Procedures (Procedures) made under clause 3.10B.2(c) of the National Electricity Rules (NER).

These Procedures have effect only for the purposes set out in the NER. The NER and the National Electricity Law prevail over these Procedures to the extent of any inconsistency.

These Procedures, specify a range of matters, including the criteria for participating in a VSR tender process.

1.2. Definitions and interpretation

1.2.1. Glossary

Terms defined in the National Electricity Law and the NER have the same meanings in these Procedures unless otherwise specified in this clause.

Terms defined in the NER are intended to be identified in these Procedures by italicising them, but failure to italicise a defined term does not affect its meaning.

In addition, the words, phrases and abbreviations in the table below have the meanings set out opposite them when used in these Procedures.

Term	Definition
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
MW	Megawatt
NER	National Electricity Rules
VSR	Voluntary Scheduled Resource
VSRP	Voluntary Scheduled Resource Provider

1.2.2. Interpretation

The following principles of interpretation apply to these Procedures unless otherwise expressly indicated:

- These Procedures are subject to the principles of interpretation set out in Schedule 2 of the National Electricity Law.
- References to time are references to Australian Eastern Standard Time.

1.3. Related documents

Reference	Title	Location
Check reference from final document	VSR Guide	To be updated

2. Processes prior to commencement of tender

2.1. General

- (a) AEMO must ensure that the *participation price* does not exceed the *incentive MW price cap*.
- (b) AEMO must ensure that the aggregate of all *participation payments* payable under all *VSR participation agreements* do not exceed \$50 million plus the value of any *external funding*.

2.2. Eligibility for participation in a VSR tender process

- (a) A person wishing to participate in a *VSR tender process* must be a *Voluntarily Scheduled Resource Provider (VSRP)* or an *Intending VSRP*.
- (b) A *VSR incentive mechanism participant* must not be, or have been, a party to a *VSR participation agreement* that involves the same *qualifying resource* as part of a *voluntarily scheduled resource*.
- (c) A *qualifying resource* included in an offer cannot already be a resource participating in *central dispatch*.
- (d) A *VSR incentive mechanism participant* must, if successful in a *VSR tender process*, be ready to participate in *central dispatch* on the date specified in their offer.

2.3. Notice of tender

- (a) AEMO must provide a minimum of 6 weeks' notice of an upcoming *VSR tender process* (**Tender Notice**).
- (b) AEMO must include the following in a Tender Notice:
 - (i) A guide as to how AEMO will conduct the tender including the number and nature of stages in the tender.
 - (ii) Details of AEMO's preferences (where applicable) for technology type, region, capacity, capacity factor, and 'hibernation mode' limits.
 - (iii) Any additional requirements for participation in the *VSR tender process* (qualification criteria).
 - (iv) The indicative timetable for tender activities.
 - (v) The offer rules.
 - (vi) Key AEMO contacts.

- (vii) The specification of requirements which defines what *VSR incentive mechanism participants* are submitting offers for.
 - (viii) A template *VSR participation agreement*.
 - (ix) Response Schedules – detailing list of questions that *VSR incentive mechanism participants* must provide responses to, allowing AEMO to assess each offer.
 - (x) Information on how *Voluntarily Schedules Resource Providers* or *Intending VSRPs* can participate.
 - (xi) Any other information AEMO considers relevant or useful to include.
- (c) AEMO must publish a notice of an upcoming *VSR tender process* on the AEMO website.

2.4. Probity and confidentiality

- (a) AEMO must ensure the *VSR tender process* is conducted in accordance with AEMO's Probity Guideline.
- (b) AEMO will exercise good procurement practices when conducting each *VSR tender process*.
- (c) Each *VSR incentive mechanism participant* must nominate a contact person in their tender response and provide contact details including: Name, Position, Phone Number and Email address.
- (d) Communications relating to a *VSR tender process* must be in writing and only with the nominated contact person.
- (e) AEMO may provide a time extension to submit offers, subject to the following:
 - (i) An application for a time extension must be made in writing and submitted to AEMO before the closing date and time for offers.
 - (ii) If AEMO grants an extension, it must provide this extension of time to all *VSR incentive mechanism participants*.
- (f) AEMO must provide to all *VSR incentive mechanism participants* written notice of the outcome of an offer they have submitted as part of a *VSR tender process*.
- (g) AEMO and *VSR incentive mechanism participants* (as relevant) must treat the following information as confidential information:
 - (i) details of successful offers and final prices;
 - (ii) offers;
 - (iii) *VSR participation agreements*.

2.5. Offer requirements and evaluation of offers

- (h) In addition to any requirements specified in a Tender Notice, offers must:
 - (i) be in \$/MW;
 - (ii) be specified to apply for a region;

- (iii) be specified to apply for particular types of *qualifying resources* or *voluntarily scheduled resources*;
 - (iv) specify the proposed term of a *VSR participation agreement* that would apply if the *VSR incentive mechanism participant* were successful (the term must be between 1-3 years); and
 - (v) specify the proposed availability of the *qualifying resource* or *voluntarily scheduled resource* (as applicable) during the proposed term of the *VSR participation agreement*.
- (i) In evaluating offers submitted by *VSR incentive mechanism participants*, AEMO must have regard to the *VSR incentive objective* and the VSR incentive principles.
 - (c) AEMO must assess offers in accordance with the Tender Notice.
 - (d) Short listed VSR incentive mechanism participants will be notified in writing by AEMO in accordance with the timeframes outlined in the Tender Notice.
 - (i) The notification will invite these participants to negotiate a *VSR participation agreement*.
 - (e) AEMO must determine an *incentive MW price cap* (\$/MW) that is to apply in each region and provide this information to the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER).
 - (i) This *incentive MW price cap* will remain confidential to AEMO, AEMC and AER.
 - (ii) AEMO must not exceed this *incentive MW price cap* when negotiating offers.

2.6. VSR participation agreements

- (a) Short listed *VSR incentive mechanism participants* are required to negotiate a *VSR participation agreement* with AEMO.
- (b) The *VSR participation agreement* must include:
 - (i) The type of *qualifying resource(s)* and a description of their identifying characteristics and capabilities.
 - (ii) The total capacity of the *qualifying resource(s)* in MW.
 - (iii) The region and location of the *qualifying resource(s)*.
 - (iv) A description of capacity factor and periods of availability.
 - (v) The agreed price expressed as \$ per MW.
 - (vi) A requirement that the *qualifying resource(s)* participate in dispatch.
 - (vii) A term of between 1 and 3 years (identifying initial term and any extension options).
 - (viii) A description of the rights of both parties to terminate the *VSR participation agreement*.
 - (ix) Any rights, obligations or limitations as a requirement of receiving *external funding* (for example location within a jurisdiction, or a certain technology type).

- (x) Provisions for confidentiality, including the outcome of the *VSR tender process*.
 - (xi) Documenting the periods (if any) in which the *qualifying resource(s)* is inactive or hibernating.
 - (xii) A requirement that the *Voluntarily Scheduled Resource Provider* be able to participate in *central dispatch* upon commencement.
 - (xiii) A requirement that *Voluntarily Scheduled Resource Provider* will participate in *central dispatch*.
 - (xiv) any performance standards that are required to be met, how they will be measured, and consequences of achievement and non-performance.
- (c) *Voluntarily Scheduled Resource Providers* must comply with all other relevant NEM procedures and guidelines.

2.7. Timetable for participation payments

- (a) AEMO will make *participation payments* under *VSR participation agreements* monthly in arrears.
- (b) *Participation payment* amounts will be in accordance with *VSR participation agreements*.
- (c) AEMO will assess each VSR's actual performance during each review period, in determining level of compliance with the *VSR participation agreements* and the *participation payment* to be made to each VIM Participant.
- (d) *Participation payments* cover the period described in *VSR participation agreements* but in any case cannot apply to periods outside of the *incentive period*.

2.8. External funding

- (a) Where *external funding* is available, AEMO will include it in a Tender Notice.
- (b) Any special requirements as a condition of *external funding* will be included in the Tender Notice.
- (c) Any special requirements as a condition of *external funding* will be included in *VSR participation agreements*.
- (d) *External funding* is in addition to the \$50m and will not be recovered from participants.

Version release history

Version	Effective Date	Summary of Changes
0.1	DD Month YYYY	Draft for consultation
x.x	DD Month YYYY	First issue